

INFORMATION REPORT

CD NO.

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COUNTRY Italy

DATE DISTR. 10 MAY 1949
25X1A2g

SUBJECT Arms Negotiations between Italy and Egypt

NO. OF PAGES 2

25X1A6a

PLACE
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NO. OF ENCLS.
(LISTED BELOW)

DATE OF INFO

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SUPPLEMENT TO
REPORT NO.

1. Towards the end of February 1949, an Egyptian group headed by one Al Ja'far Osman Bey, claiming to have been entrusted by the Egyptian Government to buy arms in Italy, began negotiating with Luigi De Dionigi, recently appointed advisor to Breda on all matters concerning Breda's manufacture and sale of arms. These negotiations concerned the following material:
 - a. 70 x 37 mm. (199.4 cm. barrel) Breda twin-barrelled cannon with 3,000 rounds each;
 - b. Several hundred 20 mm. (130 cm. barrel) Breda twin-barrelled machine guns with 4,000 rounds each;
 - c. Several hundred 20 mm. Oerlikon guns with 4,000 rounds each;
 - d. Several hundred 13.2 mm. Breda twin-barrelled anti-aircraft guns with 20,000 rounds each;
 - e. Several hundred 13.2 mm. Breda single-barrelled anti-aircraft guns; and
 - f. 80 x 20 mm. single-barrelled Breda anti-aircraft guns mounted on carriages.
2. The above arms are the property of the Italian Ministry of Defense which is, however, prepared to cede them to Breda for sale and export, in exchange for other unspecified goods to an equal value. Items a. to f. inclusive have fixed emplacement mountings.
3. On 3 March 1949 negotiations between De Dionigi and Al Ja'far Osman were extended to cover the sale to the Egyptian Government of the following additional material:

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Document No. 011

NO CHANGE in Class. ☐

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Class. CHANGED TO: TS S (C)

DDA Memo, 4 Apr 77

Auth: DDA REG. 77/1703

Date: 11/17/77 By: 018

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CENTRAL INTELLIGENCE AGENCY

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- a. An unspecified number of motor torpedo boats to be constructed by the Baglietto company in their yards at Varazze, in the Savona province;
 - b. 600,000 x 20 mm. anti-aircraft MG cartridges;
 - c. Unspecified Italian coastal artillery; and
 - d. Unspecified aircraft.
-) Material to be supplied
) partly by Macchi and
) partly by Ambrosini.
4. Al Ja'far Osman stated that it was the intention of the Egyptian War Office to use items in para 1a and 1b on tanks. The twin-barrelled 37 mm. Breda cannon are considered particularly suitable since they are fitted with self-aligning spherical mountings.
 5. When the negotiations were begun in late February 1949, Al Ja'far Osman claimed to have a fund of 10,000,000 US dollars at his disposal. Soon after the scope of the negotiations was extended as described above, however, he stated that he only had about one-third of this amount in dollars and offered the balance in sterling. This offer was again altered some days later when Al Ja'far Osman declared he could only offer 16,000 bales of cotton (valued at 12,000 million lire) and £ 10,000,000 payable on a London account by arrangement with the Banco Di Sicilia.
 6. De Dionigi has so far failed to obtain Italian Government authorization to accept this latter form of payment and it now looks as if the transaction will fall through in spite of the fact that arrangements had almost been completed for consignment c.i.f. Alexandria after complete overhaul of all items at the Breda plant at Torre Gaia near Rome
 7. Equally abortive negotiations with prospective Egyptian buyers have recently occurred in Milan. In mid-February 1949 the Army Under Secretariat of the Ministry of Defense allocated approximately one hundred 76 mm. (304 cm barrel) cannons to Isotta Fraschini in view of negotiations being conducted by Isotta Fraschini with the Egyptian Government through Rodi Al Agheila, a purchasing agent in Milan. Rodi Al Agheila deposited about 300,000,000 lire as surety, but the transaction is still pending in view of Rodi Al Agheila's inability to pay the outstanding balance of approximately 2,500 million lire.

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